



Quarterly Revenue Update

December 2002



David Platt, Chief Economist
Montgomery County Department of Finance

This report is a quarterly publication that provides an update on the collection of selected County revenues. For questions, please call the above at (240) 777-8866.

➤ **First Half Year Results.** Total revenue collections of \$1.014 billion during the first half of FY03 are 3.3% higher compared the first half of FY02 and ahead of the revised estimate for this fiscal year. It is important to note that the County receives collections on a monthly, quarterly, or semi-annual basis. Therefore, in some cases, payments received at the last day of the month may not be recorded until the next quarter which may distort the comparison.

➤ **Income Tax.** Collections for the first half of FY03 are \$50.3 million lower, or 16.4%, compared to the same period in FY02. The decline in distributions can be attributed to a 6.7% decrease in net taxable income for the County in 2001. The dramatic decline in net taxable income in the County is primarily due to an estimated 60 percent drop in capital gains for County residents in 2001. Since year-end 1999, stocks on the S&P 500 have lost \$4.27 trillion. The decline in capital gains contributed to a decrease of \$48.9 million in the collections from the adjusted final tabulation in FY03 of income taxes filed for calendar year 2001 compared to those distributions for calendar year 2000 in FY02.

➤ **Property Tax.** Collections during the first half of FY03 were 11.2% above the first half of last year and ahead of the 6.4% growth rate in the revised forecast. The revised forecast was based on a 6% growth in the assessable base due to real property reassessments, reflecting a significant increase in average home prices, and new construction. The stronger growth in the first half of FY03 was primarily due to improved processing of property tax collections for levy year 2002 compared to the processing of levy year 2001 receipts.

➤ **Transfer and Recordation Taxes.** Increases in home prices (12.9%), rather than the volume of sales (-0.3%), coupled with the decline in mortgage rates continued to push transfer and recordation taxes to record levels during the first half of FY03. Collections from both taxes were \$84.5 million and increased 33.2% over the first half of FY02. With a 57% increase in the tax rate, excluding the effect from a \$50,000 exemption for owner-occupied properties, collections from the recordation tax exceeded prior year's first half receipts by \$16.0 million (66%). Receipts from the transfer tax were \$44.2 million which is a record for any first-half period and 12.9% higher than the first half of FY02.

➤ **Other Taxes and Highway User Fund.** Collections from the hotel/motel tax were 33.2% higher during the first half of FY03 compared to the first half of FY02, which suggests that the local tourism industry has recovered from the events of 9/11. Revenues from the highway user fund were slightly above last year's revenues and are expected to meet the budget forecast of 2% growth during the remainder of the fiscal year. However, the Governor's recommended budget includes a significant reduction in the distribution of the highway user fund for the County.

➤ **Investment Income.** Because of the accommodative policy of the Federal Reserve during the past year, interest rates on short-term investments have been the lowest in the past forty-four years and continue to drop. The investment yield has dropped to a record low of 1.49% in December 2002. Because of such low rates, the yield on the County's investments was only 1.84% during the first half of FY03 compared to 3.17% during the first half of FY02 and 6.61% during the first half of FY01. Because of the forty-two percent decrease in the yield, income from the County's investments was also half of the amount collected in the first half of last year (\$6.7 million compared to \$12.5 million during the same period in FY02).

MONTGOMERY COUNTY
MAJOR REVENUE COLLECTIONS
FISCAL YEAR 2003

<u>TAXES:</u>	REPORTING PERIOD			VARIANCE FY03 / FY02	PERCENT CHANGE	FY03 REVISED FORECAST			PERCENT CHANGE
		FY03	FY02				FY01	VARIANCE FY02 / FY01	
INCOME	DECEMBER	255,621,957	305,941,617	(50,319,660)	-16.4%	-11.3%	288,914,783	17,026,834	5.9%
PROPERTY	DECEMBER	641,326,445	576,514,520	64,811,925	11.2%	6.4%	467,212,360	109,302,159	23.4%
TRANSFER	DECEMBER	44,197,250	39,144,132	5,053,118	12.9%	5.4%	32,097,750	7,046,381	22.0%
RECORDATION	DECEMBER	40,336,895	24,303,299	16,033,596	66.0%	37.3%	12,360,733	11,942,566	96.6%
FUEL/ENERGY	DECEMBER	6,997,973	6,192,370	805,603	13.0%	1.3%	5,411,864	780,507	14.4%
HOTEL/MOTEL	DECEMBER	5,632,726	4,229,428	1,403,298	33.2%	2.0%	5,604,666	(1,375,239)	-24.5%
TELEPHONE	DECEMBER	1,748,515	1,872,697	(124,182)	-6.6%	3.3%	1,925,160	(52,463)	-2.7%
ADMISSIONS	DECEMBER	1,176,226	1,067,489	108,738	10.2%	3.4%	1,142,345	(74,857)	-6.6%
<u>MISCELLANEOUS:</u>									
INVESTMENT INCOME	DECEMBER	6,670,966	12,514,730	(5,843,764)	-46.7%	-33.5%	27,242,170	(14,727,440)	-54.1%
HIGHWAY USER	DECEMBER	10,741,158	10,636,428	104,730	1.0%	2.0%	10,474,252	162,176	1.5%
<u>TOTAL</u>		1,014,450,112	982,416,710	32,033,402	3.3%	-2.2%	852,386,084	130,030,626	15.3%

January 16, 2003